

Incremental Funding Guideline - 6.8.G (01/02/02)

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Last Update: (1/02/02) RShibata:kma - 6.8.G.0

This guideline has been revised to document the new process of incorporating and administering contracts that are incrementally funded.

Definitions

Limitation of Obligation is a method of minimizing SNL's commitments by use of a clause in a contract which prohibits the Contractor from incurring costs and/or making commitments in excess of specified amounts. The LO controls amount of costs a supplier can incur. The funding limitation remains in full force and effect until the LO has been amended either by letter authorization or by contract revision.

Fixed-Price contracts for which full funding is not available may be placed utilizing the Limitation of Obligation--Fixed-Price Clause (SC 217-FLO). This clause differs from SC 218-CLO in effect primarily in that it supersedes any conflicting language contained in the Termination for Convenience Clause in the Section II Terms and Conditions.

Standard Commercial Off-the-Shelf Product: For the purposes of this guideline is product other than real property, that is of a type customarily used for nongovernmental purposes and which: has been sold, leased, or licensed to the general public (general public means buyers other than the government or affiliates of the offeror); has been offered for sale, lease, or license to the

general public; or would not require modification to meet Sandia's requirements.

Background - 6.8.G.1

This guideline discusses the process that Sandia uses to place contracts where full funding is not available at time of placement.

Over the years, the terms "Incremental Funding," "Funds Availability," "Limitation of Obligation," "Limitation of Funds," "Limiting Contract Funding or Activity" have been used to describe this process. The process is now referred to as Incremental Funding. The clauses are used in these types of contracts are: Limitation of Obligation - Fixed-Price Clause (SC 217-FLO), and Limitation of Obligation - Non-Fixed Price Contracts (SC 218-CLO).

Limitation of Obligation - 6.8.G.2

An LO is required if the project has insufficient funding and/or spend plan.

- An LO is not appropriate for a Firm-Fixed Price contract for the procurement of standard commercial off the shelf product(s).

Funding Limitation Section I Clause - 6.8.G.3

Use this table to determine the correct Section I SC to use in a solicitation/contract issued against a PR with a limitation on funding or contract activity as indicated in the notes the SCR field in Oracle.

If contract is...	then use Standard Clause...	in...
cost-type	SC 218-CLO	solicitation/contract.
fixed-price (not fully funded)	SC 217-FLO	solicitation/contract.

Limitation of Obligation Instructions - 6.8.G.4

Use this procedure in solicitations and contracts if an LO is applicable. The appropriate Section I LO standard clause **should normally follow immediately after the price, cost estimate, or cost ceiling clause** for the contract.

The amount of funding available at the time of anticipated placement of the contract should be disclosed to the potential Contractor during the solicitation phase of the procurement, using SC 025-LOF - Level of Funding in the solicitation.

Prior to placing a contract based on a PR with an applicable LO, the SCR has the discretion to increase the limitation amounts on the original PR by \$5,000 without further documentation. However, it is a prudent business practice to document Requester consent for any increases in the funding authorized in a contract. A LO can be increased for an amount greater than \$5,000 if the Requesters desire or acquiescence to do so is clearly communicated to the SCR in writing or electronically.

Note: The responsible line organization has the authority to increase (only) LO funding on a contract. This increase in funding shall be authorized by LO change authorization letter from the authorized SNL LO Delegated Representative identified in SC 403-DLO (Delegation of Authority). The LO change authorization will be sent to the Procurement Help Desk who will input the change into Oracle and distribute copies to the Contractor and scan the letter into Oracle/Markview. This copy becomes part of the contract and is legally binding. No formal contract revision is required to increase the LO with this process. A decrease in an LO shall be made by contract revision only. In certain circumstances, the SCR may amend the contract for changes to the Statement of Work; at which time the LO may be increased by contract revision.

Applicable Clauses - 6.8.G.5

- SC 217-FLO - Limitation of Obligation - Fixed Price Contracts
 - SC 218-CLO - Limitation of Obligation - Non-Fixed Price Contracts
 - SC 403-DLO - Delegation of Authority
 - SC 025-LOF - Level of Funding
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Send feedback on ideas and information on this page to the Process Expert, Randy Shibata.



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Document last modified:
